

AYLMER



1973  
ANNUAL REPORT

CANADIAN CANNERS LIMITED

# CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

**DIRECTORS**

L. M. Crandall	Pembroke, Ontario
A. L. Croce	San Francisco, California
W. I. Drynan	Hamilton, Ontario
Alfred W. Eames, Jr.	San Francisco, California
Richard Fox, C.A.	Hamilton, Ontario
L. H. Johnston, F.C.A.	Hamilton, Ontario
A. L. Nelson	Hamilton, Ontario
Leonard A. Philip	Toronto, Ontario
W. S. Sewell, Q.C.	Toronto, Ontario
*J. Leonard Walker	Montreal, Quebec
Richard H. Ward	San Francisco, California
Ross B. Yerby	San Francisco, California

\*Deceased February 3, 1973

**OFFICERS**

Ross B. Yerby	Chairman of the Board
L. H. Johnston	President and Chief Executive Officer
Richard Fox	Vice-President—Finance & Corporate Development
J. Y. Massey	Vice-President—Marketing
A. L. Nelson	Vice-President—Production
W. G. Lister	Treasurer and Controller
D. W. Munn	Secretary
A. L. Croce	Assistant Secretary

**HEAD OFFICE**

44 Hughson Street South, Hamilton, Ontario L8N 3K6

**SUBSIDIARY COMPANIES**

Aylmer Foods Warehousing Limited  
Boese Foods Limited  
Canners Machinery Limited  
Duncan Lithographing Company Limited  
The Pyramid Canners Limited  
St. Williams Preservers Limited  
Wagstaffe Limited  
Walmer Transport Company Limited

**REGISTRAR AND TRANSFER AGENTS**

Royal Trust Company, Toronto and Montreal

**TRUSTEE FOR DEBENTURE HOLDERS**

Canada Permanent Trust Company

**AUDITORS**

Price Waterhouse & Co.

**ANNUAL MEETING**

October 4, 1973, 10:00 a.m. (E.D.S.T.),  
The Royal Connaught Hotel, Hamilton, Ontario

# To Our Shareholders and Employees

Canadian Canners Limited and Subsidiaries experienced another record year of sales in fiscal 1973. Consolidated sales for the year ended May 31 increased 14.2% to \$73,197,000, continuing our growth trend. Net earnings of \$2,232,000 were \$1.59 per share compared with \$.90 per share last year. Earnings are significantly improved over a year ago but have not yet reached a satisfactory level of earnings per dollar of sales or return on shareholders' equity.

The substantial improvement in sales was achieved by expanding the share of market held by our AYLMER and DEL MONTE products, and by increasing the volume of products packed under distributors' brands. During the current year we expect a further increase in sales volume, though probably not at the rate of growth experienced in fiscal 1973.

Adverse weather conditions during the 1972 seasonal pack period created industry shortages for many products. However, our Company was successful in obtaining packs that met our market requirements

for most products. Our year-end inventory of manufactured goods was lower than it had been in recent years, but should be adequate to provide a continuity of supply of most products until the new pack becomes available.

The higher cost of food has been a widely discussed topic in recent months. Many factors are involved and contribute to the higher operating costs which the processor experiences and must recover in selling prices. Continual effort is being put forth by our Company to achieve cost reductions, and to find efficiencies which will restrain the steadily rising cost of processing. In spite of these efforts, the manufacturing costs will be higher during the year ahead than in previous years as the cost of agricultural products, packaging materials, supplies, labour, and services continues to climb.

During the past year the Company paid four dividends of 10¢ per share on the Class A shares. Since the date of issue, October 1, 1956, no dividends have been declared on Class B common shares, substantially all of which are owned

by Del Monte Corporation. Class A and B shareholders are entitled to cumulative dividends at the rate of 75¢ per share per annum. As of June 30, 1973, accumulated but undeclared dividends were \$778,000 on Class A shares and \$11,762,000 on Class B shares.

With deep regret we report the passing, early in 1973, of Mr. J. Leonard Walker, President and Chief Executive Officer of the Bank of Montreal, and a member of our Board of Directors for the past three years.

We wish to express sincere appreciation to the employees of Canadian Canners and Subsidiary Companies for their continuing contribution to the growth of our Company.

On behalf of the Board of Directors,

Ross B. Yerby, L. H. Johnston,  
Chairman President

Hamilton, Ontario,  
July 26, 1973

## Financial Highlights

	1973	1972
Sales	\$73,197,000	\$64,078,000
Net earnings	2,232,000	1,263,000
Per dollar of sales	3.0¢	2.0¢
Per Class A and B common share	1.59	.90
Return on shareholders' equity	7.0%	4.2%
Dividends paid per Class A share	.40	.40
Retained earnings	26,638,000	24,593,000
Working capital	18,299,000	17,055,000
Working capital ratio	2.0	2.0
Shareholders' equity	32,935,000	30,890,000

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

**Consolidated Statement of Financial Position**

May 31, 1973

May 31, 1972

**Current Assets**

Cash .....	\$ 65,000	\$ 45,000
Accounts receivable .....	6,752,000	6,238,000
Inventories (details on opposite page) .....	29,073,000	26,787,000
Costs allocable to future operations .....	1,440,000	1,850,000
	<b>37,330,000</b>	<b>34,920,000</b>

**Current Liabilities**

Bank and other advances .....	8,954,000	9,364,000
Accounts payable and accruals .....	7,053,000	6,331,000
Income and other taxes payable .....	1,694,000	1,038,000
Payments due within one year on long-term debt .....	1,283,000	1,085,000
Dividend payable on Class A common shares .....	47,000	47,000
	<b>19,031,000</b>	<b>17,865,000</b>

**Working Capital** .....

Fixed Assets (details on opposite page) .....	18,299,000	17,055,000
Other Assets (details on opposite page) .....	13,365,000	13,496,000
	<b>4,757,000</b>	<b>5,260,000</b>
	<b>36,421,000</b>	<b>35,811,000</b>

Deduct:

Long-term debt (details on opposite page) .....	266,000	1,549,000
Deferred income taxes .....	3,220,000	3,372,000
	<b>3,486,000</b>	<b>4,921,000</b>

**Shareholders' Equity** .....

Represented by:

Capital stock (details on opposite page) (Note 3) .....	\$ 6,297,000	\$ 6,297,000
Retained earnings .....	26,638,000	24,593,000
	<b>\$32,935,000</b>	<b>\$30,890,000</b>

Approved on behalf of the Board

L. H. Johnston, Director  
Ross B. Yerby, Director

**Notes to Financial Statements**

- At May 31, 1973 Canadian Canners Limited and its subsidiary companies had long-term leases expiring in various years through 1994 covering land, buildings and equipment. The average annual rentals payable under these agreements are estimated at \$599,000 for 1974-76, \$386,000 for 1977-81, \$155,000 for 1982-94.
- During the fiscal year ended May 31, 1973, the aggregate direct remuneration paid or payable by the Company to twelve directors as directors was \$5,000 (\$5,000 in 1972) and to eight officers as officers (5 of whom were directors) was \$154,000 (\$146,000 in 1972).

# CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

## Details of Items in Accounts

	May 31, 1973	May 31, 1972
<b>Inventories</b>		
Valued at lower of cost and net realizable value		
Merchandise .....	\$16,446,000	\$17,075,000
Materials and supplies .....	<u>12,627,000</u>	9,712,000
	<b><u>\$29,073,000</u></b>	<b><u>\$26,787,000</u></b>
<b>Fixed Assets</b>		
At cost		
Land .....	\$ 717,000	\$ 730,000
Buildings .....	8,751,000	8,531,000
Machinery and other equipment .....	<u>21,640,000</u>	21,210,000
	<b><u>31,108,000</u></b>	<b><u>30,471,000</u></b>
Less: Accumulated depreciation .....	<b><u>17,743,000</u></b>	<b><u>16,975,000</u></b>
	<b><u>\$13,365,000</u></b>	<b><u>\$13,496,000</u></b>
<b>Other Assets</b>		
Mortgages and long-term receivables .....	\$ 1,514,000	\$ 2,017,000
Intangibles—brand names, trade marks, patents, processes, goodwill, etc. .....	<u>3,243,000</u>	3,243,000
	<b><u>\$ 4,757,000</u></b>	<b><u>\$ 5,260,000</u></b>
<b>Long-Term Debt (exclusive of payments due within one year)</b>		
5% Sinking fund debentures maturing June 15, 1973 .....	\$ —	\$ 1,200,000
Notes of subsidiary companies payable in varying amounts to 1977 .....	<u>266,000</u>	349,000
	<b><u>\$ 266,000</u></b>	<b><u>\$ 1,549,000</u></b>
<b>Capital Stock</b>		
Class A common shares without nominal or par value		
Authorized — 1,000,000		
Issued — 468,137 .....	<u>2,099,000</u>	\$ 2,099,000
Class B common shares without nominal or par value		
Authorized — 2,000,000		
Issued — 936,274 .....	<u>4,198,000</u>	4,198,000
	<b><u>\$ 6,297,000</u></b>	<b><u>\$ 6,297,000</u></b>

3) The holders of Class A common shares are entitled to cumulative cash dividends at the rate of 75¢ per share per annum in priority to any dividends on the Class B common shares. Dividends have been paid on the Class A common shares up to and including September 30, 1968 at the rate of 75¢ per share per annum and subsequently at the rate of 40¢ per share per annum. Subject to the prior rights of the Class A common shares, the holders of Class B common shares are entitled to cash dividends accumulating from the date of issue on October 1, 1956 at the rate of 75¢ per share per annum. To June 30, 1973 the accumulated dividends not declared on Class A common shares amount to \$778,000 and on Class B common shares amount to \$11,762,000. After the Class A and B common shares have received payment of all accumulated dividends, Class A and B common shares share equally in any dividends in excess of 75¢ per share per annum.

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

**Consolidated Statement of Earnings and Retained Earnings**

Year Ended May 31  
1973 1972

Sales and operating revenues .....	<b>\$73,197,000</b>	<b>\$64,078,000</b>
Costs and expenses .....		
Costs and expenses excluding items listed below .....	<b>66,785,000</b>	59,522,000
Depreciation .....	<b>1,329,000</b>	1,331,000
Interest on long-term debt .....	<b>80,000</b>	89,000
Other interest .....	<b>771,000</b>	698,000
Income taxes .....	<b>2,000,000</b>	1,175,000
	<b>70,965,000</b>	<b>62,815,000</b>
Net earnings .....	<b>2,232,000</b>	1,263,000
Retained earnings at beginning of year .....	<b>24,593,000</b>	23,517,000
	<b>26,825,000</b>	<b>24,780,000</b>
Dividends declared on Class A common shares .....	<b>187,000</b>	187,000
Retained earnings at end of year .....	<b>\$26,638,000</b>	<b>\$24,593,000</b>
Net earnings per share (Class A and B common combined) ..	<b>\$ 1.59</b>	<b>\$ .90</b>

**Consolidated Statement of Source and Use of Funds**

Year Ended May 31  
1973 1972

<b>Source of Funds</b>		
Earnings from operations .....	<b>\$ 2,232,000</b>	\$ 1,263,000
Depreciation .....	<b>1,329,000</b>	1,331,000
Deferred income taxes .....	<b>(152,000)</b>	(414,000)
	<b>3,409,000</b>	<b>2,180,000</b>
Funds from operations .....		
Proceeds from disposal of properties .....	<b>87,000</b>	70,000
Decrease in mortgages and long-term receivables .....	<b>503,000</b>	394,000
	<b>3,999,000</b>	<b>2,644,000</b>
<b>Use of Funds</b>		
Investment in fixed assets .....	<b>1,285,000</b>	1,224,000
Dividends declared on Class A common shares .....	<b>187,000</b>	187,000
Reduction of long-term debt .....	<b>1,283,000</b>	1,085,000
	<b>2,755,000</b>	<b>2,496,000</b>
<b>Increase in Working Capital</b> .....	<b>\$ 1,244,000</b>	\$ 148,000

# CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

## Ten Year Review of Financial Data

Figures in thousands except per share

	Twelve Months Ended May 31				Fifteen Months Ended May 31	Twelve Months Ended February 28 (29)				
	1973	1972	1971	1970		1968	1967	1966	1965	1964
<b>FOR THE YEAR</b>										
Sales .....	\$73,197	64,078	58,582	54,663	68,028	53,677	52,251	50,568	47,954	43,243
Earnings from operations .....	2,232	1,263	809	692	754	1,175	1,172	1,796	1,593	1,162
Per dollar of sales .....	3.0¢	2.0¢	1.4¢	1.3¢	1.1¢	2.2¢	2.2¢	3.6¢	3.3¢	2.7¢
Per Class A and B common share ....	1.59	.90	.58	.49	.54	.84	.83	1.28	1.13	.83
Net extraordinary gains .....	—	—	—	1,011	301	—	492	—	—	—
Net earnings .....	2,232	1,263	809	1,703	1,055	1,175	1,664	1,796	1,593	1,162
Per Class A and B common share .....	1.59	.90	.58	1.21	.75	.84	1.18	1.28	1.13	.83
Return on shareholders' equity .....	7.0%	4.2%	2.7%	6.0%	3.6%	4.4%	6.5%	7.4%	7.0%	5.3%
Cash dividends paid .....	187	187	187	187	357	351	351	351	351	351
Per Class A common share .....	.40	.40	.40	.40	.76 1/4	.75	.75	.75	.75	.75
Capital expenditures .....	1,285	1,224	1,342	1,331	1,452	915	2,039	2,097	1,333	1,187
Provision for depreciation .....	1,329	1,331	1,262	1,240	1,535	1,219	1,172	1,093	988	871
<b>AT YEAR END</b>										
Working capital .....	18,299	17,055	16,907	17,429	17,778	18,079	16,935	16,500	15,887	15,748
Working capital ratio .....	2.0	2.0	2.2	2.5	2.2	2.2	2.2	2.4	2.7	3.4
Net fixed assets .....	13,365	13,496	13,673	12,761	13,198	13,550	13,972	12,791	11,914	10,607
Long-term debt .....	266	1,549	2,634	2,694	3,144	5,319	5,805	4,625	4,940	5,255
Retained earnings .....	26,638	24,593	23,517	22,895	21,426	20,728	19,904	18,591	17,146	15,904
Shareholders' equity .....	32,935	30,890	29,814	29,192	27,723	27,025	26,201	24,888	23,443	22,201

## Auditors' Report to the Shareholders of Canadian Canners Limited

We have examined the consolidated statement of financial position of Canadian Canners Limited and its subsidiary companies as at May 31, 1973 and the consolidated statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at May 31, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.,  
Chartered Accountants.

Hamilton, July 26, 1973.

